

SENATE BILL 2668

By Kelsey

AN ACT to amend Tennessee Code Annotated, Title 8,
relative to retirement plans for state employees.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 8, Chapter 34, is amended by adding the following language as a new, appropriately designated part:

8-34-801. This part shall apply only to persons initially entering employment with a state agency on or after January 1, 2013.

8-34-802. For purposes of this part, unless the context otherwise requires:

(1) "Defined benefit plan" means the retirement plan established in the retirement system pursuant to this chapter and chapters 36 and 37 of this title prior to January 1, 2013, that provides a predetermined retirement benefit to employees and their beneficiaries;

(2) "Defined contribution plan" means the retirement plan established in this part on and after January 1, 2013, that consists of benefit options that provide for an individual account in which employer contributions are made on behalf of each employee, and under which benefits are based solely on the savings that have accumulated in the account;

(3) "Employee" means any person who is employed in the service of, and whose compensation is payable by, a state agency, and included in the membership of the retirement system;

(4) "Employer":

(A) Means any agency, department, commission, board, office, or authority within the executive branch of state government by which an employee is paid, with respect to employees in its employ; and

(B) Does not include:

- (i) The office of the secretary of state;
- (ii) The office of the state treasurer;
- (iii) The office of the comptroller of the treasury;
- (iv) Any county board of education, city board of education, or the state board of education;
- (v) The board of trustees of the University of Tennessee;
- (vi) The colleges and other educational institutions governed by the board of regents;
- (vii) The Tennessee School for the Blind, Tennessee School for the Deaf, Alvin C. York Institute, and any other special school;
- (viii) The Tennessee higher education commission; or
- (ix) Any other agency of and within the state by which a teacher is paid, with respect to teachers in its employ;

(5) "Individual account" means the total amount on deposit maintained by the defined contribution plan in an investment account, established for each employee for the purposes of allocation of the employee's contributions, the employer's contributions on behalf of the employee, and earnings credited to each of those contributions, investment gains and losses, and expenses; as well as reporting of the employee's benefit under the defined contribution plan;

(6) "Initially entering" means hired or appointed for the first time, as an employee with an employer on a full-time basis;

(7) "Normal contribution rate" means the percent of an employee's earnable compensation paid on behalf of the employee to the employee's individual account in the defined contribution plan; and

(8) "Unfunded actuarial accrued liability" or "the liability" means the excess, if any, of the accrued liability of the defined benefit plan over the actuarial value of its assets.

8-34-803.

(a) On and after January 1, 2013, the treasurer shall establish a defined contribution plan for employees.

(b) The treasurer shall enter into a contract with a third party financial institution to manage the plan. The treasurer shall use an annual competitive bidding process when contracting for the right to manage the defined contribution plan. The contract shall be awarded to the bidder that guarantees the highest rate of return on the fund of the defined contribution plan each year minus all administrative fees; provided, that the bidder is qualified to perform the contract and is financially sound, as determined by the treasurer.

8-34-804.

(a) The defined benefit plan shall continue to function for the benefit of employees and their beneficiaries covered by the defined benefit plan prior to January 1, 2013; except, that no person initially entering employment on or after January 1, 2013, shall become a participant of the defined benefit plan.

(b)

(1) Each person initially entering employment prior to January 1, 2013, who is covered by the defined benefit plan prior to January 1, 2013, shall remain in the defined benefit plan.

(2) Each person initially entering employment on or after January 1, 2013, shall be enrolled as a participant of the defined contribution plan.

(c) All employees may also participate in, or continue to participate in, a supplemental deferred compensation plan qualified under Internal Revenue Code § 457, codified in 26 U.S.C. § 457, and a profit sharing or salary reduction plan as permitted under § 401(k) of the Internal Revenue Code, codified in 26 U.S.C. § 401(k); provided, that contributions to the supplemental plan are characterized as solely employee contributions, and the state shall not support any supplemental plan by employer contributions.

8-34-805.

(a) For each employee who enrolls in the defined contribution plan, the annual contribution of the employer on behalf of the employee shall consist of an amount equal to at least two percent (2%) of the employee's earnable compensation.

(b) In addition to the contribution described in subsection (a), an employer match shall equal one hundred percent (100%) of the amount annually contributed by the employee to the defined contribution plan, up to a maximum of six percent (6%) of the employee's earnable compensation or, alternatively, up to a higher maximum that may be specifically prescribed in the annual general appropriations act.

SECTION 2. The treasurer may establish policies and procedures and promulgate rules to implement this part and to create and administer the cash benefit plan. All such rules shall be promulgated in accordance with Tennessee Code Annotated, Title 4, Chapter 5.

SECTION 3. This act shall take effect upon becoming a law, the public welfare requiring it.